

Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-01 INR-07 L-03
NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06
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SUBJECT: ROC EXPORT PROSPECTS FOR 1977

REF: TAIPEI 0310

1. THE ROC'S OVERALL ECONOMIC GROWTH TARGET OF 8.5 PERCENT FOR 1977 IS PREMISED ON EXPORT EXPANSION OF ABOUT 20 PERCENT. AT THIS POINT, ANY ASSESSMENT OF EXPORT PROSPECTS IS BOUND TO BE PARTLY SPECULATIVE, BUT WE BELIEVE A 20 PERCENT INCREASE IS SOMEWHAT ON THE OPTIMISTIC SIDE. EXPORTERS WILL BE BUILDING ON A HIGH BASE RESULTING FRM THE EXCEPTIONAL 52 PERCENT RISE IN TOTAL EXPORTS LAST YEAR, AND IN ORDER TO REACH THE 1977 GOAL SALES WILL HAVE TO AVERAGE A LITTLE MORE THAN US\$800 MILLION PER MONTH--A LEVEL THAT WAS REACHED ONLY TWICE IN 1976. INCREASED IMPORT RESTRICTIONS IN THE U.S. AND RUEOPEAN MARKETS, AND CONTINUED STIFF COMPETITION
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FROM KOREA ALSO ARE IMPORTANT FACTORS.

2. GROC ITSELF DOES NOT MINIMIZE THE DIFFICULTIES, AND IS READYING AN EXPANDED EXPORT PROMOTION PROGRAM. MEASURES UNDER CONSIDERATION INCLUDE ESTABLISHMENT OF A TAIWAN WORLD TRADE CENTER, ENCOURAGING THE FORMATION OF LARGE TRADING FIRMS ON THE JAPANESE MODEL,

UPGRADING OF QUALITY OF EXPORT PRODUCTS, AND FURTHER
EXPLORING MARKETS IN SOUTHEAST ASIA, THE MIDDLE EAST,
AND LATIN AMERICA.

3. WHILE TAIWAN MAY BE ABLE TO SLIGHTLY DIVERSIFY
BOTH EXPORT PRODUCTS AND MARKETS, IT WILL BASICALLY
CONTINUE IN 1977 TO DEPEND PRIMARILY ON EXPORTS OF THE
TEXTILE AND ELECTRICAL AND ELECTRONIC PRODUCTS INDUS-
TRIES, AND THE U.S., JAPAN AND WESTERN EUROPE WILL
CONTINUE TO BE THE MAJOR MARKETS. GIVEN THE PROSPECTS
FOR GENERALLY IMPROVING ECONOMIC CONDITIONS IN THESE
MARKETS, ROC EXPORTERS ARE FAIRLY OPTIMISTIC ABOUT
SALES IN THE FIRST HALF OF THE YEAR, BUT ALL ARE HESITANT
TO PREDICT DEVELOPMENTS IN THE SECOND HALF. THERE IS
SOME CONCERN THAT THE HIGH COST OF RAW COTTON WILL
AFFECT WORLDWIDE DEMAND FOR TEXTILE PRODUCTS. PROBABLY
OF MORE IMPORTANCE TO THE ROC TEXTILE INDUSTRY, HOWEVER,
IS THE OUTLOOK FOR MAN-MADE FIBERS. THIS SECTOR MAY DO
A LITTLE BETTER IN 1977, WITH THE EXCEPTION OF NYLON.
PRODUCTION OF NYLON IS NOW UNPROFITABLE AND SEEMS
LIKELY TO REMAIN SO. RAYON PROFITABILITY IS EXPECTED
TO SHOW MODERATE IMPROVEMENT, POLYESTER FILAMENT AND
STAPLE MAY SEE A SLIGHT CHANGE FOR THE BETTER, AND IN
ACRYLICS THE SITUATION PROBABLY WILL REMAIN MORE OR
LESS UNCHANGED. EFFORTS ARE BEING MADE TO DEVELOP NEW
EXPORT MARKETS FOR RAW MATERIALS FOR THE TEXTILE INDUSTRY
TO LESSEN RELIANCE ON SALES TO LOCAL MILLS AND TO
SUPPLEMENT SALES OF FINISHED GOODS.

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4. THE ELECTRICAL AND ELECTRONICS PRODUCTS INDUSTRY
WILL CONTINUE TO EXPAND, BUT AT A SLOWER PACE THAN IN
1976. HOWEVER, NOT ALL SECTORS OF THIS INDUSTRY ARE
FACED WITH A SLOWDOWN. FOR EXAMPLE, DIGITAL WATCH
MANUFACTURERS EXPECT TO EXPORT 3.6 MILLION UNITS IN 1977
COMPARED WITH 1.5 MILLION IN 1976, AND SALES OF TV
GAMES ARE EXPECTED TO BE EXCELLENT. MANUFACTURERS OF
COMPONENTS FOR DIGITAL WATCHES AND TV GAMES ALSO ARE
UNDERSTANDABLY PREDICTING A GOOD YEAR.

5. THERE ARE REASONABLY GOOD PROSPECTS FOR THE "SECOND-
RANK" EXPORT INDUSTRIES (E.G. WOOD PRODUCTS, PLASTICS,
AND MACHINERY AND METAL PRODUCTS, ALL OF WHICH HAD
EXPORT SALES OF MORE THAN US\$500 MILLION IN 1976).
THE WOOD PRODUCTS INDUSTRY IS ESPECIALLY OPTIMISTIC
ABOUT PLYWOOD SALES TO THE U.S. WITH 1.75 MILLION NEW
HOUSING UNITS PROJECTED FOR CONSTRUCTION IN THE US
IN 1977, PLYWOOD DEMAND IS EXPECTED TO PICK UP SUB-
STANTIALLY. STOCKS IN THE US ARE SAID TO BE VERY

LOW AT PRESENT AND PRICES OF SUBSTITUTE PRODUCTS ARE
RISING. THE COST OF PLYWOOD, ON THE OTHER HAND, IS
RELATIVELY STABLE.

6. IN SUMMARY, WHILE ROC EXPORTERS DO NOT EXPECT AN
EASY SITUATION THIS YEAR, THE OUTLOOK IS GENERALLY
PROMISING FOR CONTINUED EXPORT GROWTH, AT LEAST ON A
MODERATE SCALE, OVER THE NEXT HALF YEAR.
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